trustee tailored super

Trustee Tailored Super Progresses In-depth Discussions

While the company (Tailored Superannuation Solutions) is maintaining strict confidentiality around businesses they are in discussions with, including funds and industry providers along the supply chain, the New Year has commenced with a rush of interest. During these first few weeks numerous repeat trips to Brisbane, Melbourne, Sydney and Canberra have progressed discussions towards the introduction of Trustee Tailored Super as the world's first Smart Default.

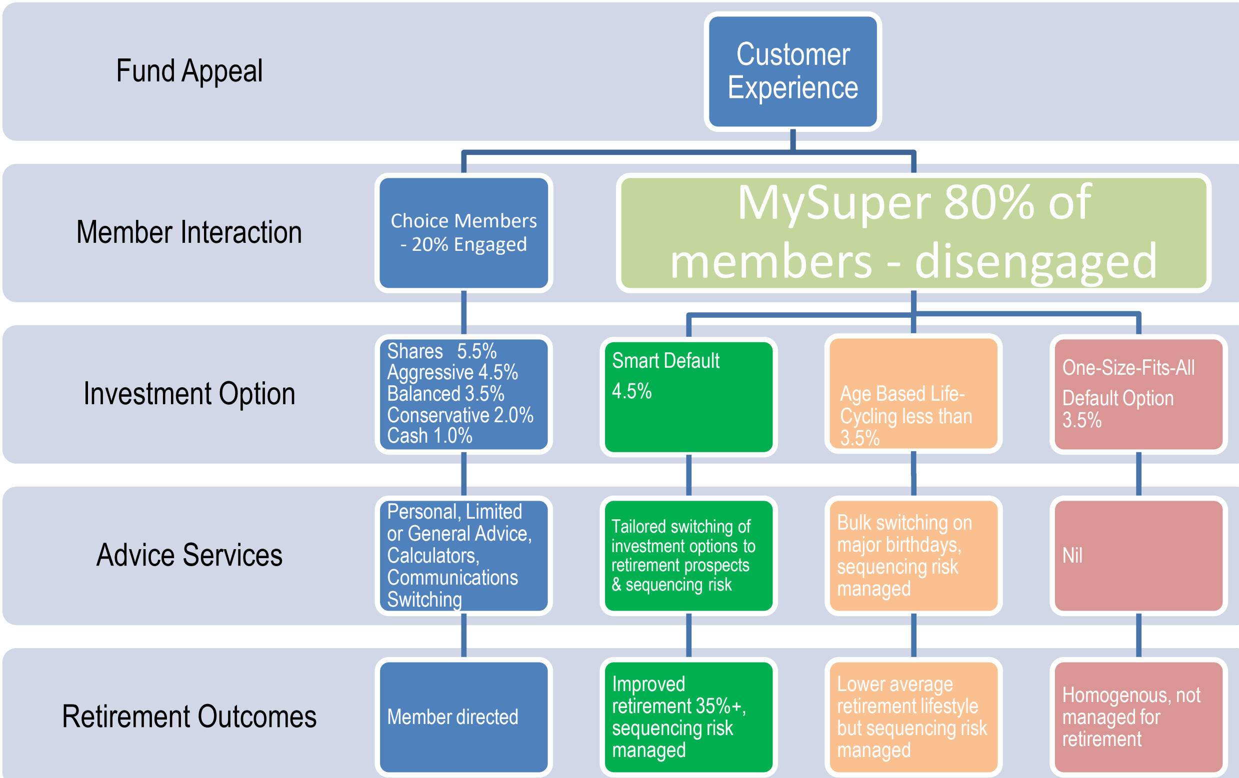
This has occurred not only due to the current merger pressure – but also due to trustees' desire for member attraction and retention strategies. Those merger changes, as pointed out in our earlier articles, have recently be reaffirmed by numerous parties, the latest being on 2 February 2017 by KPMG head of wealth advisory Paul Howes. He said it was time for APRA to start ramping up pressure on fund mergers because a number of small superannuation funds are continuing to bleed money and lose members.

The heat is on because the regulators, government and the industry itself, are under the thumb improve efficiency and to focus on retirement outcomes. The gathering and implementation of these elements (FSI recommendations, APRA Member Assessment Test, Productivity Commission efficiency and competition report, the legislating of the retirement objective) are designed to increase competitive pressure. That competition has already seen several mergers occur. With other mergers reportedly under discussion, it is clear that both a 10%+ industry consolidation is underway and that competing for new members, is now a key and immediate driver for trustees.

The hunt by trustees for new differentiated product offerings that provide member attraction (direct or through default employer status) and retention (from members leaving to another fund or SMSF) strategies is on. Trustees are looking for a point of difference – a reason to continue to exist – they will find this, in their niche member demographic profiles, as has occurred other regulated industries (e.g. credit unions). All the better if these strategies can be readily audited as both outstripping economy of scale merger benefits (circa 0.15%) and more effectively converting contributions into that objective - improved retirement outcomes.

The member experience graphic below, now being circulated through the industry, highlights the role of Smart Defaults like TTS in member attraction and retention strategies, plus how it is related to existing member channels (Choice, Age-Only Life-cycling and One-Size-Fits-All). The blue channel describes the experience of members who make their own choices be that selecting an investment option or using a funds financial advice models.

The other channels describe the default offering, which covers around 80% of members and is reliant on the actions of the trustee. These members enter those channels either because their employer has chosen this fund for them (because of its product offering characteristics), due to it being listed in an Industrial Award (method currently under review for change) or because the member has selected the fund but not an Investment Option (e.g. Shares). Regardless effective attraction strategies must deal with this 80% of the membership base – be that via promotion to employers, industrial umpires or direct to employees. Furthermore member retention strategies rely on the same approach.



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